




# Prospects for Distributed Electricity Generation

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# Preface



In the aftermath of the recent electricity blackout that affected major portions of the Midwest and Northeast, many commentators have argued that distributed generation—the small-scale production of electricity at or near customers’ homes and businesses—could improve electricity reliability and ease the strain on the nation’s electricity transmission system.

This Congressional Budget Office (CBO) paper examines the current state of and prospects for distributed generation, its benefits and risks, and barriers to the wider adoption of small-scale, customer-owned technologies. The paper also discusses what types of policy changes could help reduce barriers while limiting the downside risks of greater reliance on distributed generation. The analysis was prepared at the request of the Ranking Member of the Senate Committee on Energy and Natural Resources.

Andrew Goett of CBO’s Microeconomic and Financial Studies Division wrote the paper, with contributions from Richard Farmer, under the supervision of David Moore and Roger Hitchner. Robert Shackleton and Dennis Zimmerman of CBO and Henry Lee of the John F. Kennedy School of Government at Harvard University provided useful comments.

Christine Bogusz edited the paper, with assistance from Leah Mazade and Joseph Foote. Angela Z. McCollough prepared drafts of the manuscript, and Sharon Corbin-Jallow prepared the paper for publication. Annette Kalicki produced the electronic versions for CBO’s Web site ([www.cbo.gov](http://www.cbo.gov)).

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